

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 99-271

June 2, 1999

FOX ISLAND ELECTRIC COOPERATIVE, INC.  
Application for Approval of  
Issuance of Securities and Mortgage  
Bonds (35A-M.R.S.A. §902, §1101) (\$700,000)

ORDER APPROVING  
ISSUE OF SECURITIES AND  
MORTGAGE ON UTILITY  
PROPERTY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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On April 23, 1999 Fox Island Electric Cooperative, Inc. (FIE or the Cooperative) filed with the Commission an application for approval of the issuance of securities, through the Rural Utilities Service (RUS) for the purposes of maintaining and upgrading its distribution system. FIE proposes to borrow an amount not to exceed \$700,000 for a term not to exceed 35 years at a rate of 5.0% from RUS. The loan will be secured by a first mortgage on all property owned by the Cooperative. This Order approves FIE's request.

FIE will use the loan proceeds to both improve the reliability of its system and to increase capacity enabling it to serve new customers. Planned system upgrades include the addition of new cables, transformers, regulators as well as ordinary replacements of items such as poles and crossarms. Typically, RUS funds are drawn down over a given time period (up to two years) with the borrower paying interest only during this period. When construction is completed, the loan is amortized with interest and principal repayments over the remaining term. FIE has not stated how long the construction/drawdown period will be, however, the combined term of the construction/drawdown period and the amortization period will not exceed 35 years. For example, if the construction period lasts two years, the amortization period will be 33 years. FIE does not anticipate that this financing by itself will result in any rate impact for its customers.

Pursuant to an Amended Delegation Order dated January 9, 1996, in Docket No. 94-401, the Commission delegated to the Director of Finance pursuant to 35-A M.R.S.A. § 107 (4), the authority to grant the Approval of Stocks, Bonds and Notes by the Public Utilities Commission, Chapter 9, 35-A M.R.S.A., in those circumstances that involved the approval of Maine Municipal Bond Bank (MMBB), Rural Utilities Service (RUS), National Rural Utilities Cooperative Finance Corporation (CFC), Rural Telephone Bank (RTB) and CoBank, ACB (CoBank) financing applications by telecommunication and electric utilities. The approval of the Director of Finance shall be in the form of an Order, copies of which shall be maintained in the files of the office of the Administrative Director.

Having reviewed the application of the Cooperative, together with data provided in support of it, it is the opinion of the Commission that the proceeds of the issuance of the securities are required in good faith for the purposes enumerated in 35-A M.R.S.A. § 901. In approving this securities issuance, consistent with normal practice and pursuant to 35-A M.R.S.A. § 902(4), the Commission does not imply approval of the Cooperative's capital needs, capital costs or capitalization ratio for rate making purposes, nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate.



Accordingly, pursuant to the Amended Delegation Order dated January 9, 1996, in Docket No. 94-401, it is:

O R D E R E D

1. That Fox Island Electric Cooperative, Inc. (FIE) is authorized to issue securities collateralized by a first mortgage interest on its utility property to the Rural Utilities Service (RUS), as set forth in its application, in a sum not to exceed \$700,000 to be used solely for the purposes described in its filing at a rate not to exceed 5.0%, with a final maturity not to exceed 35 years from the date of issuance.
2. That FIE report to the Deputy Director of Finance, in writing its doings pursuant to this Order within sixty (60) days of the date of closing of the loan.
3. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 2nd day of June.

BY ORDER OF THE DEPUTY DIRECTOR OF FINANCE

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Richard M. Kania  
Deputy Director of Finance